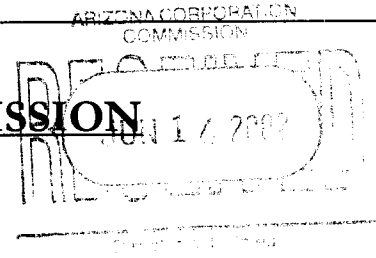


**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**



**ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY**

K

W-02169A WATER  
KEATON DEVELOPMENT COMPANY, INC  
P.O. Box 905  
SALOME, AZ 85348-0905

**ANNUAL REPORT**

**FOR YEAR ENDING**

12	31	2001
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FOR COMMISSION USE

ANN04	01
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Processed by:

6-14-02 am

SCANNED

## COMPANY INFORMATION

<b>Company Name (Business Name)</b> <u>KEATON DEVELOPMENT COMPANY, INC</u>			
<b>Mailing Address</b> <u>P.O. Box 905</u>			
<u>SALOME</u> (City)	<u>AZ</u> (State)	<u>85348</u> (Zip)	
<u>928-859-3241</u> Telephone No. (Include Area Code)	<u>928-859-4013</u> Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)	
<b>Email Address</b> <u>KEATON @ TDS.NET</u>			
<b>Local Office Mailing Address</b> <u>SAME AS ABOVE</u>			
 (City)	 (State)	 (Zip)	
 Local Office Telephone No. (Include Area Code)	 Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)	
<b>Email Address</b> _____			

## MANAGEMENT INFORMATION

<b>Management Contact:</b> <u>MARCUS B. MATTHEWS</u>			
<u>P.O. Box 905</u> (Street)		<u>SALOME</u> (City)	<u>AZ</u> (State)
<u>928-859-3241</u> Telephone No. (Include Area Code)		<u>928-859-4013</u> Fax No. (Include Area Code)	<u>85348</u> (Zip)
<b>Email Address</b> <u>KEATON @ TDS.NET</u>			
<b>On Site Manager:</b> <u>SAME AS ABOVE</u>			
 (Street)	 (City)	 (State)	 (Zip)
 Telephone No. (Include Area Code)	 Fax No. (Include Area Code)	 Pager/Cell No. (Include Area Code)	
<b>Email Address</b> _____			

**Statutory Agent:** JOHN CHURCHILL  
(Name)  
1300 JOSHUA AVE, STE B, PARKER, AZ 85344  
(Street) (City) (State) (Zip)  
928-669-6195 928-669-5376  
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

**Attorney:** RICHARD L. SALLQUIST  
(Name)  
2525 E. ARIZONA BILTMORE CIRCLE STE 117, PHOENIX, AZ 85016-2129  
(Street) (City) (State) (Zip)  
602-224-9222 602-224-9366  
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

### OWNERSHIP INFORMATION

Check the following box that applies to your company:

- |   |   |
|---|---|
| <input type="checkbox"/> Sole Proprietor (S)    | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P)        | <input checked="" type="checkbox"/> Subchapter S Corporation (Z)          |
| <input type="checkbox"/> Bankruptcy (B)         | <input type="checkbox"/> Association/Co op (A)                            |
| <input type="checkbox"/> Receivership (R)       | <input type="checkbox"/> Limited Liability Company                        |
| <input type="checkbox"/> Other (Describe) _____ |   |

### COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- |  |                                   |                                   |
|--|-----------------------------------|-----------------------------------|
| <input type="checkbox"/> APACHE            | <input type="checkbox"/> COCHISE  | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA              | <input type="checkbox"/> GRAHAM   | <input type="checkbox"/> GREENLEE |
| <input checked="" type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE   |
| <input type="checkbox"/> NAVAJO            | <input type="checkbox"/> PIMA     | <input type="checkbox"/> PINAL    |
| <input type="checkbox"/> SANTA CRUZ        | <input type="checkbox"/> YAVAPAI  | <input type="checkbox"/> YUMA     |
| <input type="checkbox"/> STATEWIDE         |                                   |                                   |

COMPANY NAME

KEATON DEVELOPMENT COMPANY, INC

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	1,250	1,250	—
302	Franchises			
303	Land and Land Rights	8,200	—	8,200
304	Structures and Improvements	3,680	735	2,945
307	Wells and Springs	55,911	28,116	27,795
311	Pumping Equipment	70,312	48,437	21,875
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	45,102	17,128	27,974
331	Transmission and Distribution Mains	210,614	108,959	101,655
333	Services	57,073	13,041	44,032
334	Meters and Meter Installations	3,933	3,933	—
335	Hydrants	26,856	2,521	24,335
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	1,842	1,842	—
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment	1,304	1,304	—
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	486,077	227,266	258,811

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME *KEATON DEVELOPMENT COMPANY, INC*

**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	<i>1,250</i>		
302	Franchises			
303	Land and Land Rights	<i>8,200</i>		
304	Structures and Improvements	<i>3,680</i>	<i>6.66%</i>	<i>245</i>
307	Wells and Springs	<i>55,911</i>	<i>4.14</i>	<i>2313</i>
311	Pumping Equipment	<i>70,312</i>	<i>12.99</i>	<i>9136</i>
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	<i>45,102</i>	<i>3.35</i>	<i>1,512</i>
331	Transmission and Distribution Mains	<i>210,614</i>	<i>4.00</i>	<i>7,377</i>
333	Services	<i>57,073</i>	<i>6.66</i>	<i>3,801</i>
334	Meters and Meter Installations	<i>3,933</i>	<i>16.66</i>	<i>655</i>
335	Hydrants	<i>26,856</i>	<i>4.00</i>	<i>1,074</i>
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	<i>1,842</i>	<i>40.00</i>	<i>737</i>
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment	<i>1,304</i>	<i>10.00</i>	<i>130</i>
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<i>486,077</i>		<i>26,981</i>

This amount goes on Comparative Statement of Income and Expense Acct. No. 403

*DEPR RECORDED & ADJ PER STAFF REPORT*

COMPANY NAME

KEATON DEVELOPMENT COMPANY, INC

**BALANCE SHEET**

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>ASSETS</b>		
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 2,016	\$ 7,881
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		17,893
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets	871	1,742
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 2,887	\$ 27,516
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 426,309	\$ 486,077
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	175,198	227,266
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	<b>TOTAL FIXED ASSETS</b>	\$ 251,111	\$ 258,811
	<b>TOTAL ASSETS</b>	\$ 253,998	\$ 286,327

**NOTE:** The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

COMPANY NAME *KEATON DEVELOPMENT COMPANY, INC*

**BALANCE SHEET (CONTINUED)**

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>LIABILITIES</b>		
	<b>CURRENT LIABILITIES</b>		
231	Accounts Payable	\$	\$ 96,113
232	Notes Payable (Current Portion)	4,000	4,000
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits		
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	2,694	3,737
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 6,694	\$ 103,850
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$ 56,395	\$ 46,672
	<b>DEFERRED CREDITS</b>		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	254,769	262,682
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	<b>TOTAL DEFERRED CREDITS</b>	\$ 254,769	\$ 262,682
	<b>TOTAL LIABILITIES</b>	\$ 317,858	\$ 413,204
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ 50,000	\$ 50,000
211	Paid in Capital in Excess of Par Value	19,500	19,500
215	Retained Earnings	(133,360)	(196,377)
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	\$ (63,860)	\$ (126,877)
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 253,998	\$ 286,327

COMPANY NAME KEATON DEVELOPMENT COMPANY, INC

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 110,333	\$ 127,729
460	Unmetered Water Revenue		
474	Other Water Revenues	6,711	138
	<b>TOTAL REVENUES</b>	\$ 117,044	\$ 127,868
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages	\$ 26,526	\$ 22,510
610	Purchased Water		
615	Purchased Power	16,539	13,900
618	Chemicals		
620	Repairs and Maintenance	966	3,762
621	Office Supplies and Expense	1,015	11,782
630	Outside Services		17,622
635	Water Testing	15,879	8,356
641	Rents	12,494	5,633
650	Transportation Expenses	3,290	11,748
657	Insurance – General Liability		2,082
659	Insurance - Health and Life		45
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	43,550	3,463
403	Depreciation Expense	19,533	26,981
408	Taxes Other Than Income	3,361	1,843
408.11	Property Taxes	<298>	9,703
409	Income Tax		
	<b>TOTAL OPERATING EXPENSES</b>	\$ 142,855	\$ 139,430
	<b>OTHER INCOME/EXPENSE</b>		
419	Interest and Dividend Income	\$ <52>	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	5,264	6,481
	<b>TOTAL OTHER INCOME/EXP</b>	\$ 5,212	\$ 6,481
	<b>NET INCOME/(LOSS)</b>	\$ <31,023>	\$ <18,043>

COMPANY NAME KEATON DEVELOPMENT COMPANY INC

**SUPPLEMENTAL FINANCIAL DATA**

**Long-Term Debt**

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	12/31/96	6/2/97	12/23/99	
Source of Loan			WIFA	
ACC Decision No.				
Reason for Loan	BUSINESS	BUSINESS	BUSINESS	
Dollar Amount Issued	\$ 8,274	\$ 4,000	\$ 48,121	\$
Amount Outstanding	\$ 0	\$ 4,000	\$ 45,714	\$
Date of Maturity	12/31/01			
Interest Rate	8 1/2%	8 1/2%	8 1/2%	
Current Year Interest	\$ 591	\$ 320	\$ 942	\$
Current Year Principle	\$ 7317	\$ 0	\$ 2408	\$

Meter Deposit Balance at Test Year End \$ 15,750

Meter Deposits Refunded During the Test Year \$ 0

COMPANY NAME

KEATON DEVELOPMENT COMPANY, INC.

**WATER COMPANY PLANT DESCRIPTION****WELLS**

ADWR ID Number	Pump Horsepower	Pump Yield (Gpm)	Casing Size (inches)	Meter Size (inches)
B-5-1328A	60	500	16"	N/A
B-5-12-21dde	60	600	16"	N/A

**OTHER WATER SOURCES**

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
N/A		

TOTAL GALLONS PUMPED (NOT SOLD) THIS YEAR (thous.) = 26,274,500

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
N/A		N/A	

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
15,000	1	800	1
10,000	1	1500	1

**STATISTICAL INFORMATION**

Total number of customers	<u>408</u>	
Total number of gallons sold	<u>22,976,990</u>	gallons

COMPANY NAME KEATON DEVELOPMENT COMPANY, INC YEAR ENDING 12/31/2001

**INCOME TAXES**

For this reporting period, provide the following:

Federal Taxable Income Reported  
Estimated or Actual Federal Tax Liability

<1,361>  
-

State Taxable Income Reported  
Estimated or Actual State Tax Liability

<1,361>  
-

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances  
Amount of Gross-Up Tax Collected  
Total Grossed-Up Contributions/Advances

-  
-  
-

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

  
SIGNATURE

06 12-02  
DATE

MARCUS B. MATTHEWS  
PRINTED NAME

PRESIDENT/CEO  
TITLE

COMPANY NAME KEATON DEVELOPMENT COMPANY, INC YEAR ENDING 12/31/2001

**WATER AND SEWER  
UTILITIES ONLY**

**PROPERTY TAXES**

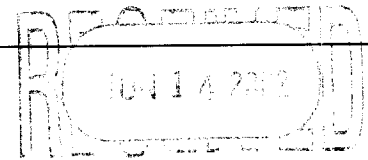
Indicate the amount of actual property taxes paid during this reporting period (Calendar Year 2001)

\$ 0

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled Checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain reasons below:

NO PROPERTY TAXES WERE PAID DURING CALENDAR YEAR 2001, DUE TO SEVERE CASH FLOW SHORTAGE. KEATON IS CURRENTLY DEPOSITING MONEY IN A SPECIAL ACCOUNT SET UP FOR PROPERTY TAXES AND WILL ISSUE CHECKS TO THE LA PAZ COUNTY TREASURER AS FULL YEAR AMOUNTS BECOME AVAILABLE, PER ACC 8 LA PAZ COUNTY TREASURER.



**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

**VERIFICATION**

STATE OF \_\_\_\_\_

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <u>LA PAZ</u>
NAME (OWNER OR OFFICIAL) TITLE <u>MARCUS B. MATTHEWS</u> <u>PRESIDENT/CEO</u>
COMPANY NAME <u>KEATON DEVELOPMENT COMPANY, INC</u>

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION****FOR THE YEAR ENDING**

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2001</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2001 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)

\$ 0

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 0  
IN SALES TAXES BILLED, OR COLLECTED

**\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS



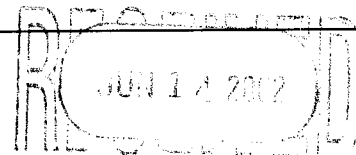
SANDY MUNCHAUSEN  
Notary Public - Arizona  
(La Paz County)  
Expires 03/31/06

DAY OF

MY COMMISSION EXPIRES 3-31-06

Marcus B Matthews  
SIGNATURE OF OWNER OR OFFICIAL  
928-859-3241  
TELEPHONE NUMBER

COUNTY NAME <u>La Paz</u>
MONTH <u>June</u> YEAR <u>2002</u>
<u>Sandy Munchausen</u> SIGNATURE OF NOTARY PUBLIC



**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY**

**VERIFICATION**

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

(COUNTY NAME) LA PAZNAME (OWNER OR OFFICIAL)  
MARCUS B. MATTHEWSTITLE  
PRESIDENT/CEOCOMPANY NAME  
KEATON DEVELOPMENT COMPANY, INC

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION  
FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2001

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2001 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 6

(THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 6  
IN SALES TAXES BILLED, OR COLLECTED

\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.

X

Marcus B. Matthews  
SIGNATURE OF OWNER OR OFFICIAL

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

13th

DAY OF

(SEAL)



MY COMMISSION EXPIRES

**SANDY MUHLHAUSER**  
Notary Public - Arizona  
La Paz County  
Expires 03/31/06

3-31-06

NOTARY PUBLIC NAME

Sandy Muhlhauser

COUNTY NAME

La Paz

MONTH

June 13

, 20

02

Sandy Muhlhauser  
SIGNATURE OF NOTARY PUBLIC